

**FY 2011 Judicial Branch Budget Impact**

**ISSUE**

This *Issue Review* analyzes recent activity related to the Judicial Branch budget. The Judicial Branch budget is 3.0% of the total State General Fund budget and consists of 95.0% personnel costs and 5.0% nonpersonnel costs. As of August 31, 2010, 29 Clerks of Court offices are operating on a part-time basis with reduced public hours. The remaining 70 offices are closed for two hours a day, two days a week. From February 2009 through June 2010, there were 15 court closure days.

**AFFECTED AGENCIES**

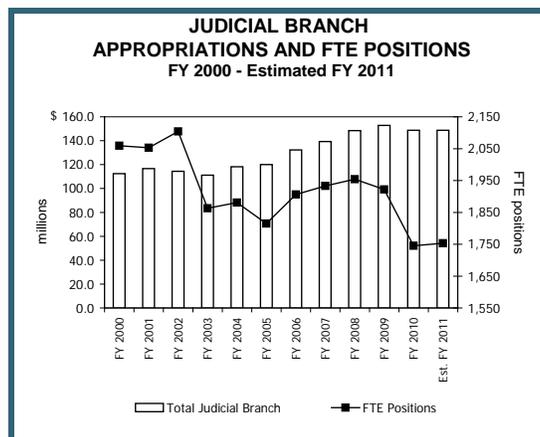
Judicial Branch

**CODE AUTHORITY**

Chapter 602

**BACKGROUND**

In FY 2000, the Judicial Branch General Fund budget, including both operations and Judicial Retirement, was \$112.4 million. For FY 2011, the budget is currently estimated to be \$148.8 million. This is an increase of \$36.4 million or 32.4%. The full-time equivalent (FTE) positions for this same time period were 2,058.7 in FY 2000 compared to an estimated 1,753.3 for FY 2011. (For FY 2011, there are an additional 33.6 FTE positions that are on the Judicial Branch table of organization that are funded through grants from the Department of Human Services.) This is a decrease of 305.4 FTE positions or a reduction of 14.8% in the Judicial Branch workforce since FY 2000. The decrease in FTE positions from 2002 to 2003 was due to the 4.3% across-the-board reduction. In response, the Judicial Branch laid off 120 employees, reduced the working hours of 67 employees, downgraded 79 employees from supervisory positions, and eliminated an additional 20 vacant positions.



The average cost per employee, including the judges, in FY 2000 was \$46,180. The average cost per employee, including the judges, in FY 2010 was \$78,786. This is an increase of \$32,606 or 70.6% in the average cost per employee. The average rate of increase is 5.5% per year. Contributing factors to the increase in the Judicial Branch budget from FY 2000 to FY 2010 include the State's share of Judicial Retirement being included in the salary costs beginning in FY 2010. Prior to FY 2010, the employer's share of Judicial Retirement was a separate appropriation. Additional contributing factors are increases in salaries, benefits, and health insurance costs. In addition, the Judicial Branch experienced three rounds of layoffs (FY 2002, FY 2009, and FY 2010) and the implementation of the Judges' Blue Ribbon Commission Report.

As background for comparison, the average cost per employee in the Executive Branch, excluding Regents and Community-Based Corrections employees, in FY 2000 was \$44,772. The average cost per employee in the Executive Branch, excluding Regents and Community-Based Corrections employees, for FY 2010 was \$71,475. This is an increase of \$26,703 or 59.6% in the average cost per employee. The average rate of increase is 4.8% per year. (Included in the average cost are the base wage, FICA, retirement, dental insurance, health insurance, life insurance, long term disability and deferred compensation. Not included are other special pays such as shift differential, weekend pay premium, second language premium, overtime, and monetized compensatory time.) When comparing the average cost of an employee in the Judicial Branch to that of the Executive Branch, salaries of judges and judicial retirement are the biggest differences.

The following chart shows the number of FTE positions the Judicial Branch has lost since FY 2000. The largest FTE reduction is in Clerks of Court category, with a reduction of 169.5 FTE positions since FY 2000. The largest percentage reduction is in State Court Administration with a reduction of 53.7% (30.3 FTE positions). The Iowa Court Information System (ICIS) experienced the largest gain with 13.0 FTE positions since FY 2000.

#### Judicial Branch FTE Positions

	FY 2000	FY 2011	FTE Reduction	Percent Change
Appellate Courts	54.5	55.8	1.3	2.26%
State Court Administration	56.4	26.1	-30.3	-53.70%
ICIS	37.0	50.0	13.0	35.14%
District Court Administration	225.9	153.3	-72.5	-32.11%
Court Reporters	183.6	149.6	-33.9	-18.49%
Juvenile Court Services	289.3	235.4	-54.0	-18.66%
Clerks of Court	875.6	706.1	-169.5	-19.35%
Judges & Magistrates	336.5	377.0	40.5	12.04%
Total	2058.7	1753.3	-305.4	-14.84%

The FY 2011 figure does not include 72.0 FTE positions paid through grants from the Department of Human Services.

#### Judicial Officer Salaries

In 2005, the Blue Ribbon Commission on judicial compensation recommended a three-year increase in judicial salaries. Judicial salaries are set by statute and would typically not receive an across-the-board increase; however, the General Assembly tends to adjust the judges

salaries to mirror the increase provided to other State employees. The actual implementation was three phases over four years with the third phase of the Blue Ribbon Commission Report being implemented in FY 2009 totaling approximately \$3.0 million. Since FY 2009, the Judges have not received a salary increase.

**Annual Salary Increase Percentages**

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Chief Justice/Supreme Court	4.47%	13.10%	2.00%	11.59%
Supreme Court Justices	4.49%	12.50%	2.01%	11.10%
Chief Judge/Court of Appeals	4.53%	8.63%	1.99%	7.95%
Court of Appeals Judges	4.47%	8.89%	2.00%	8.16%
Chief District Court Judges	4.49%	7.38%	2.00%	6.87%
District Court Judges	4.49%	7.67%	2.00%	7.12%
District Associate Judge	4.50%	8.82%	1.99%	8.11%
Associate Juvenile Judges	4.50%	8.82%	1.99%	8.11%
Part-time Magistrates	4.47%	12.50%	1.99%	8.19%
Senior Judge	4.62%	4.41%	1.94%	12.74%

**Judicial Salary Comparison From FY 2000 to FY 2011**

<b>Supreme Court</b>					
<u>Fiscal Year</u>	<u>Chief Justice</u>		<u>Justices</u>		
2000	\$ 114,000		\$ 109,900		
2011	\$ 170,850		\$ 163,200		
Increase	<u>\$ 56,850</u>	49.9%	<u>\$ 53,300</u>	48.5%	
<b>Court of Appeals</b>					
<u>Fiscal Year</u>	<u>Chief Judge</u>		<u>Judges</u>		
2000	\$ 109,800		\$ 105,700		
2011	\$ 153,000		\$ 147,900		
Increase	<u>\$ 43,200</u>	39.3%	<u>\$ 42,200</u>	39.9%	
<b>District Court</b>					
<u>Fiscal Year</u>	<u>Chief Judge</u>		<u>District Associate Judges</u>		<u>Juvenile Associate Judges</u>
2000	\$ 104,800		\$ 100,500		\$ 87,600
2011	\$ 142,800		\$ 137,700		\$ 122,400
Increase	<u>\$ 38,000</u>	36.3%	<u>\$ 37,200</u>	37.0%	<u>\$ 34,800</u> 39.7%
<u>Fiscal Year</u>	<u>Probate Associate Judges</u>		<u>Magistrates</u>		<u>Senior Judges</u>
2000	\$ 87,600		\$ 25,400		\$ 5,800
2011	\$ 122,400		\$ 37,740		\$ 8,160
Increase	<u>\$ 34,800</u>	39.7%	<u>\$ 12,340</u>	48.6%	<u>\$ 2,360</u> 40.7%

**State Employee Salary Increases**

When funding is not received for salary increases, the Judicial Branch, like all other departments in State government, absorb the costs within their current operating budgets. The following chart shows the State appropriation, the identified salary adjustment need as determined by the Department of Management, and the difference. The proration column shows the percentage funded. In FY 2007, the Judicial Branch was not included in the Salary Bill as the Judicial Branch was allowed to keep \$7.0 million off the top in receipts, prior to deposit into the General Fund, for salary adjustment. The following charts show the cost of living and step increases for Judicial Branch employees (excluding Judges and Magistrates) and a historical look at the salary adjustment appropriations.

**Cost of Living and Step Increases for Judicial Branch Employees**

Fiscal Year	Contractual				Noncontract	
	(AFSCME)		(PPME)		Across the Board	Merit Steps
	Across the Board	Steps	Across the Board	Steps		
1995	4.0 (a)	+ Step	4.0 (a)	+ Step	4.0 (a)	+ Merit
1996	3.0	+ Step	3.0	+ Step	3.0	+ Merit
1997	2.5	+ Step (b)	2.5	+ Step (b)	2.5	+ Merit (b)
1998	3.0	+ Step	3.0	+ Step	3.0	+ Merit
1999	3.0	+ Step	3.0	+ Step	3.0	+ Merit
2000	3.0	+ Step	3.0	+ Step	3.0	+ Merit
2001	3.0	+ Step	3.0	+ Step	3.0	+ Merit
2002	3.0	+ Step	4.0 (c)	+ Step	3.0	+ Merit
2003	3.0 (d)	+ 4.0%	4.0 (e)	+ 4.0%	3.0	+ Merit
2004	2.0	+ 4.5%	2.0	+ 4.5%	2.0	+ Merit
2005	2.0 (f)	+ 4.5% (g)	2.0	+ 4.5%	2.0	+ Merit
2006	0.0	+ 4.5%	2.0	+2.0%	0.0	+ Merit +4.0%
2007	3.5	0	3.5	0	3.5	0
2008	2.0	+4.5%	2.0	+4.5%	3.0	+ Merit
2009	0.0	+4.5%	0.0	+4.5%	0.0	+ Merit
2010	0.0	+4.5%	0.0	+4.5%	0.0	0

(a) There were two increases for FY 1995, consisting of 2.0% effective July 1, 1994, and 2.0% effective December 30, 1994.

(b) A one-time \$300 payment for full-time employees at the top step was provided in December 1996. Part-time employees at the top step received a one-time \$150 payment.

(c) Judicial PPME received 2.00% on July 1, 2001, and 2.00% on January 22, 2002.

(d) The FY 2003 increase for AFSCME and Noncontract was effective October 25, 2002, and additional step added to top of range effective February 1, 2003.

(e) The FY 2003 increase for PPME was 2.00% on July 1, 2002, and 2.00% on January 1, 2003.

(f) The FY 2005 increase was effective January 1, 2005.

(g) Employees received a 4.50% increase effective November 1, 2004.

**Salary Adjustment**  
(dollars in millions)

Fiscal Year	State Appropriation	Salary Adjustment Identified Need	Appropriation Need/ Difference	Prorate	Salary Bill
1997	\$ 33.3	\$ 37.2	\$ -3.9	89.0%	HF 2497
1998	47.4	47.3	0.1	100.0%	SF 551
1999	44.1	43.1	1.0	100.0%	HF 2553
2000	50.1	52.4	-2.3	100.0%	HF 781
2001	42.2	44.8	-2.6	94.0%	SF 2450
2002	70.2	89.2	-18.9	79.0%	HF 746
2003	41.1	55.6	-14.5	74.0%	HF 2623
2004	43.5	50.4	-6.9	90.0%	SF 458
2005	0.0	69.6	-69.6	0.0%	SF 2298
2006	40.9	72.9	-32.0	56.0%	HF 881
2007	29.0	57.0	-28.0	49.1%	HF 2797
2008	106.8	107.0	-0.2	99.8%	SF 601
2009	88.1	95.8	-7.7	92.0%	HF 2700
2010	0.0	55.8	-55.8	0.0%	SF 478
2011	0.0	77.7	-77.7	0.0%	HF 2531

### FY 2002

The Governor issued Executive Order 24, effective November 1, 2001, that reduced all FY 2002 appropriations to Executive Branch agencies by 4.3%. House File 759 (FY 2002 Appropriations Adjustment Act) affirmed the Executive Order and implemented a 4.3% across-the-board (ATB) reduction to the Judicial Branch as well, resulting in a deappropriation of \$5.2 million to the Judicial Branch operating budget and Judicial Retirement Fund.<sup>1</sup> Due to the reduction, the Judicial Branch eliminated the Court Appointed Special Advocate Program that has since been relocated to the Department of Inspections and Appeals. The Judicial Branch also laid off 120 employees, reduced the working hours of 67 employees, downgraded 79 employees from supervisory positions, and eliminated an additional 20 vacant positions.

### FY 2009

House File 414 (FY 2009 Appropriations Adjustment Act) reduced the Judicial Branch appropriation by \$3.8 million, a 2.6% reduction from the original appropriation. The Act was not enacted until March 16, 2009. Since mid-year reductions limit the implementation options, the Judicial Branch reduced all nonpersonnel travel including judicial travel and closed the Courts for five days. This provided a savings of \$335,000 per day (\$1.7 million). (This figure does not include furloughs for Judges or Magistrates.) Of the five furlough days taken by the Judicial Branch in FY 2009, the Judges participated in one of the five furlough days. In addition, in FY 2009, salary adjustment was funded at 89.4% of the actual need causing the Judicial Branch to absorb approximately \$1.8 million within their operating budget.

## CURRENT SITUATION

### FY 2010

For FY 2010, there was no appropriation for salary adjustment increases. The Judicial Branch salary adjustment need was \$3.5 million. This covered step increases only and did not include a cost of living increase. Since no appropriation was received, the step increases were absorbed within the current operating budget.

<sup>1</sup> 2001 Iowa Acts, Chapter 179

The Judicial Branch opted not to participate in the State Early Retirement Incentive Program (SERIP). The Judicial Branch estimated the costs would have exceeded the savings. Approximately 366 people would have been eligible, if the Judicial Branch had chosen to participate. Of the 366 people, the average age was 59 with 24 years of service. In addition, of the 366 people, 100 had met or exceeded the rule of 88. Of those 100 people, the average age was 61 with 32 years of service.

Excluding the Judges, there are 1,360 employees paid from the General Fund in the Judicial Branch, of which 283 employees are at the maximum of their pay grade which is 20.8% of the total employees. If staff in the Judicial Branch retired and were replaced with new staff at a lower pay grade, there would be a potential cost savings in the operating budget. Although new staff could potentially reduce costs, the lack of knowledge and experience could impact the operations of the Judicial Branch.

### **Judicial Retirement**

Changes to retirement legislation enacted in the 2008 Legislative Session increased both the employee and employer contribution rates for FY 2009. The total appropriation for Judicial Retirement in FY 2009 was \$7.6 million and one-time funding sources totaling \$4.2 million were used to fund the employer's share (30.6%). Prior to FY 2010, the Judicial Branch received a separate appropriation for Judicial Retirement. From FY 2010 forward, Judicial Retirement was included on the total appropriation, same as IPERS is for State employees. Senate File 472 (FY 2010 Judicial Branch Appropriations Act) merged the Judicial Retirement appropriation line item into the Judicial Branch operating budget appropriation line item. As part of the \$11.0 million appropriation in SF 478 (FY 2010 Standing Appropriations Act) the General Assembly included \$4.8 million for the employer's share of Judicial Retirement to restore the one-time funding and cover increased expenditures with General Fund revenue. The State's share of Judicial Retirement in FY 2010 was \$8.2 million.

### **7.1% Across-the-Board Reduction**

Because the Judicial Branch is a separate branch of government, it was not subject to the Governor's 10.0% ATB reduction in Executive Order 20. During FY 2010, the Supreme Court implemented a 7.1% reduction to correspond with the State's revenue shortfall as estimated by the State Revenue Estimating Conference. Senate File 2366 (FY 2010 Appropriations Adjustments Act) deappropriated \$11.4 million. The 7.1% ATB reduction eliminated the increase received in SF 478 and caused the funding for Judicial Retirement to be absorbed within the current Judicial Branch budget for FY 2010.

The ATB reduction resulted in 10 days of unpaid leave for all judges, magistrates, and court staff from December 4, 2009, to June 18, 2010, for a savings of \$4.1 million. One furlough day for all judges, magistrates, and court personnel results in savings of approximately \$418,000. In addition, the Judicial Branch implemented a workforce reduction of approximately 9.3% for a savings of \$7.3 million and a reduction in nonpersonnel expenditures of approximately \$700,000. The Judicial Branch laid off 105 employees, eliminated 100 vacant positions (27 retirements and 73 vacancies), and reduced the hours of 58 employees. The reduction plan downsized the Clerk of Court offices based on a weighted caseload formula. All Clerk of Court offices are staffed 12.0% below staffing formulas and juvenile court services is staffed at 9.0% below current staffing formula recommendations.

### **Judicial Vacancies**

The Judicial Branch averages between four to six judicial vacancies a year. During the 2003 Legislative Session, HF 694 (Court Practices and Procedures Act) permitted the Chief Justice to delay, up to 180 days for budgetary reasons, the nomination process of a judge for appointment to the Iowa Supreme Court, Court of Appeals, or District Court. The 180-day delay provision sunset on July 1, 2006. House File 414 (FY 2009 Appropriations Adjustment Act) again authorized a 180-day delay for the periods of March 16, 2009, through June 30, 2009. Senate File 478 (FY 2010 Standing Appropriations Act) extended the 180-day delay language from May 26, 2009, through June 30, 2010.

### **Judicial Vacancies Veto**

Senate File 2343 (Judicial Officers Bill) included language beginning July 1, 2010, through July 1, 2013, for each of the first five delays ordered by the Chief Justice in each fiscal year, the delay was not to exceed 180 days. For each delay beginning July 1, 2010, through July 1, 2013, in excess of five, the delay was not to exceed one year. This Bill was vetoed by the Governor on April 28, 2010. In the veto letter, the Governor stated he felt this would substantially alter the process for filling judicial vacancies by allowing the Chief Justice to have the authority to delay the appointment of judges and associate judges for up to one year. This would have allowed the Chief Justice the ability to determine the number of judges in each judicial district by deciding which judicial openings are filled and which are delayed. Under Article V, Section 10, of the Constitution of the State of Iowa, the responsibility for determining judicial districts and the number of judges within a judicial district is assigned to the General Assembly. Assuming a normal number of judicial vacancies in a fiscal year, the impact of the veto ranges from \$417,000 to \$1.0 million.

## **BUDGET IMPACT**

### **Judicial Vacancies Veto**

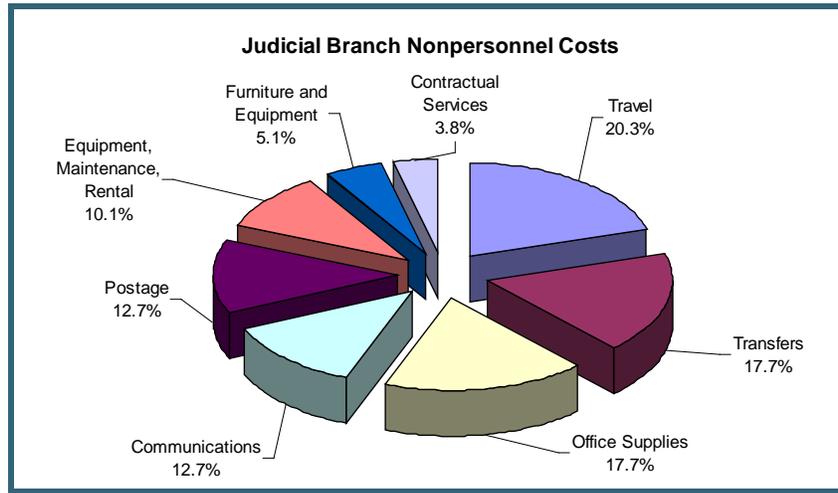
The veto of SF 2343 did not have as large an impact on the Judicial Branch budget as first expected, for a couple of reasons. The first is that there was a significantly higher than normal number of departures in FY 2010, several of these will remain vacant due to hiring delays beyond July 1. The second is that Section 19 of HF 2531 (FY 2011 Standing Appropriations Act) specified that the FY 2011 pay plans for noncontract employees of the Judicial Branch would not be increased. These two factors helped mitigate the impact of the veto of SF 2343.

### **General Fund Budget**

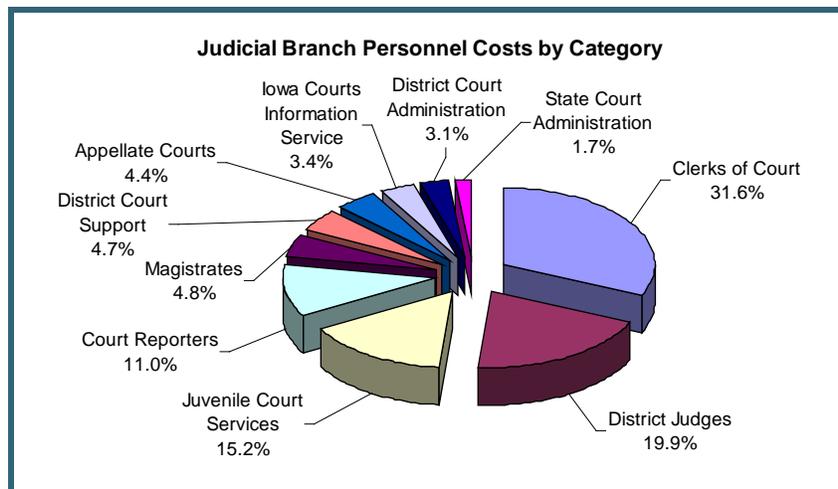
Since the Judicial Branch is 95.0% personnel with no programs to eliminate, any budget reduction in excess of 1.0% to 2.0% affects personnel. Although court closures save the Judicial Branch operating money, it costs the General Fund money through the reduction in fine collections. Delays in case processing create backlogs in county jails increasing costs to local law enforcement.

For additional savings in FY 2010, the Judicial Branch reduced their mileage reimbursement rate from \$0.40 per mile to \$0.35 per mile. The mileage reimbursement rate for the Legislative and Executive Branch agencies is \$0.39 per mile. The Judicial Branch is also in the process of ranking cases based on the order of priority for the assignment of duties. Business practices and court rules are being examined for streamlining efforts and efficiencies.

The following chart shows the breakout of nonpersonnel services within the Judicial Branch:



The following chart shows the breakout of personnel funding by category within the Judicial Branch:



**ALTERNATIVES**

**Electronic Document Management System (EDMS)**

The Electronic Document Management System (EDMS) will allow lawyers and citizens to electronically file court documents with the Judicial Branch using personal computers via the Internet. The EDMS will integrate with the Iowa Court Information System (ICIS), enabling public access via the Internet to the court docket and court documents 24 hours a day, seven days a week. In addition, court notices will be emailed to lawyers, litigants, and officials. The EDMS will allow the Judicial Branch to operate with reduced staff and resources and still maintain statewide access to the court system. The EDMS will help understaffed Clerks of Court offices keep up with the caseload and allow smaller counties to assist the larger counties with caseload processing.

The pilot began February 22, 2010 in Plymouth County; however, due to some technical issues, it was delayed from its original January 1, 2010 implementation date. The Judicial Branch plans

to expand the pilot of EDMS in Story County in October 2010. After the completion of the Story County pilot project, the appellate courts will begin their pilot and district courts will begin implementation with approximately two counties per month being brought on-line. Statewide implementation of the EDMS project is scheduled to take approximately four years. The Judicial Branch is exploring ways to expedite the pilot project and implementation to help reduce difficulties caused by the November 2009 12.0% reduction in its workforce.

According to the Judicial Branch, once EDMS is operating in all 99 counties, the cost savings will be both qualitative and quantitative. The need for document storage space will be reduced or eliminated, reducing rental expenses for outside storage spaces and freeing up internal storage space for conference rooms and office space. Staff time in the Clerks of Court offices will be better utilized and more efficient as a result of time savings from locating and delivering files, and minimized duplication of efforts.

Work also continues on the Judicial interface that allows Judges to view cases while sitting on the bench. Since January 1, 2010, judges are interfacing with electronically-filed cases and documents through the Criminal Justice Information Network (CJIN) allowing orders to be approved electronically rather than manually. All cases initiated since January 1, 2010, are electronic and additional filings are being handled electronically.

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